

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-01

PA-01 PRS-01 AGRE-00 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /084 W

-----032537 241723Z /53

R 241215Z AUG 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 5360

C O N F I D E N T I A L KINSHASA 8049

E.O. 11652: N/A

TAGS: ECON, EFIN, EALR, CG

SUBJECT: ZAIRIAN STABILIZATION PROGRAM-SIX MONTH COMPLIANCE REPORT

REF: A. KINSHASA 5115 B. KINSHASA 4937

1. SUMMARY: EMBASSY HAS JUST RECEIVED DATA CONCERNING ZAIRIAN COMPLIANCE WITH IMF STABILIZATION PROGRAM FOR JUNE 1977 TARGETS. ZAIRE HAS MET AT LEAST THREE OF THE FIVE CRITERIA (INFORMATION ON BORROWING IS NOT AVAILABLE AND ARREARAGES WERE NOT SUFFICIENTLY REDUCED), AND HAS BEEN NOTIFIED BY THE IMF THAT AS OF THE END OF JUNE THEY WERE STILL IN COMPLIANCE. HOWEVER, RECENT CHANGES IN THE TAX STRUCTURE AND WAGE INCREASES PRESAGE SOME DIFFICULT GOING TO MEET THE SEPTEMBER TARGETS. END SUMMARY.

2. FOLLOWING ARE MAY AND JUNE COMPLIANCE FIGURES IN MILLIONS OF ZAIRES:

MAY JUNE

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A. NET CREDIT OF THE CENTRAL BANK TO THE GOZ 802,379 830,290

B. PRIVATE BANKING CREDIT TO THE GOZ 77,170 75,670

C. BANKING SYSTEM CREDIT TO INDIVIDUAL

CREDITORS 425,842 444,532

D. TREASURY RECIPITS 68,484 57,911

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E. TREASURY DISBURSEMENTS 66,690 85,857

F. GROSS FX HOLDINGS OF THE CENTRAL BANK 75,755 82,964

G. GROSS FX LIABILITIES OF THE GOZ

(INCLUDING IMF CREDITS) 227,717 228,412

H. EXPORT RECEIPTS 47,656 N/A

I. GECAMINES GROSS EXPORT RECEIPTS 63,095 58,205

J. IMPORT PAYMENTS (FOB) 39,850 N/A

K. COPPER EXPORT VOLUME (TONS)	37,844	47,652
L. PRIVATE BANK EXPORT CREDITS, DUE ON		
EMBARKATION OF GOODS	210,794	202,579
M. ARREARAGES	377,784	389,268
N. GOZ FX EXPENDITURES	5,284	4,712
O. TREASURY PAYMENTS ON THE PUBLIC DEBT	7,352	5,212
P. PRIVATE BANK FX HOLDINGS	144,273	144,643
Q. PRIVATE BANK FX LIABILITIES	49,941	40,092

3. THE SIX MONTH TOTALS COMPARE WITH THE IMF TARGETS AS FOLLOWS:

A. TOTAL BANK CREDIT TO THE GOZ-TARGET Z914 MILLION, ACTUAL Z906 MILLION.

B. TOTAL BANK CREDIT-TARGET Z1359 MILLION, ACTUAL Z1350 MILLION.

C. GOZ FOREIGN EXCHANGE EXPENDITURES-TARGET Z44 MILLION, ACTUAL Z38 MILLION.

D. ARREARAGES-TARGET Z308 MILLION, ACTUAL Z389 MILLION.

OUR INFORMATION DOES NOT INDICATE WHETHER THE FIFTH IMF CRITERION CONCERNING SHORT AND MEDIUM TERM BORROWING WAS MET OR BY WHAT MARGIN.

4. COMMENT: WE SUSPECT THAT THE IMF IS PRIMARILY CONCERNED WITH AGGREGATES RATHER THAN WITH ABOVE INDIVIDUAL ITEMS IN THE COMPLIANCE REPORT. IT WILL BE RECALLED THAT THE TWO MAIN PERFORMANCE CRITERIA IMPOSED BY IMF STANDBY WERE RESTRICTIONS ON MEDIUM AND SHORT-TERM BORROWING AND LIMITATION OF BUDGET DEFICIT TO NOT MORE THAN Z160 MILLION. SO FAR THIS YEAR, RECEIPTS HAVE BEEN SUBSTANTIAL.

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RECEIPTS HAVE BEEN SUBSTANTIAL; BUT EXPENDITURES HAVE INCREASED BY AN EVEN GREATER EXTENT. IF THE PRESENT TREND CONTINUES, THE BUDGET DEFICIT WILL BE ABOUT Z30 MILLION GREATER THAN THE LIMITATION. THIS CAN BE EXPECTED TO BE FURTHER AGGRAVATED BY THE RECENT ABOLITION OF THE INCOME TAX REBATEMENT (A PROGRESSIVE SURCHARGE IMPACTING MOST HEAVILY ON MIDDLE AND UPPER INCOME ZAIRIANS), AND THE ELIMINATION OF THE RESTRICTION ON WAGE INCREASES IN THE PUBLIC SECTOR REPORTED SEPTEMBER.

5. RECENT SALARY INCREASES IN THE PRIVATE SECTOR AVERAGING ABOUT 20 PERCENT ARE LIKELY TO BE MATCHED BY THE GOZ. IN THE FACE OF DECREASED REVENUES FROM THE REBATEMENT, PLUS A HIGHER WAGE BILL, THE GOZ MUST EITHER SHARPLY DECREASE OTHER EXPENDITURES OR INCREASE RECEIPTS IN ORDER TO COMPLY WITH THE IMF RESTRICTIONS. WE REGARD THE PROSPECTS OF DECREASED EXPENDITURES TO BE MOST UNLIKELY; HOWEVER, THERE IS SOME PROSPECT THAT RECEIPTS MAY INCREASE. WE UNDERSTAND THAT LARGE STOCKS OF COFFEE HAVE ACCUMULATED IN KINSHASA DUE TO THE MINIMUM SELLING PRICE IMPOSED BY THE CENTRAL BANK BEING OUT OF LINE WITH WORLD PRICES. CENTRAL BANK GOVERNOR BOFOSSA RECENTLY ASSURED AMBASSADOR THAT GOZ IS IN PROCESS OF TAKING STEPS TO ENSURE THAT ACCUMULATED COFFEE STOCKS MOVE INTO INTERNATIONAL TRADE. BECAUSE

OF SIGNIFICANT COFFEE EXPORT TAX, THIS COULD GIVE A
SUBSTANTIAL BOOST TO GOZ RECEIPTS. WE SHALL MONITOR SITUATION
CLOSELY.
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Message Attributes

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